

Testimony of the Honorable Neil Abercrombie  
To The

Hawaii State House of Representatives  
Committee on Housing

Rep. Rida Cabanilla, Chair  
Rep. Pono Chong, Vice Chair

**LATE TESTIMONY**

March 17, 2010 at 9:00 am  
Conference Room 325

Regarding SB 2593, SB 2594 & SB 2595

Chair Cabinilla and Vice Chair Chong, thank you for the opportunity to testify before the Housing Committee. I am here to express my support for SB 2593, SB 2594 and SB 2595 which generally curtail the General Excise Tax (GET) exemption for certain housing projects.

These bills (1) require the State to periodically review the eligibility of housing projects for the GET exemption; (2) require housing projects with a GET exemption to meet certain residency requirements; and (3) set income and residency restrictions on housing projects seeking a GET exemption.

In search of the least painful way to balance the State's budget for the coming fiscal year, the Legislature has resurfaced a proposal that is long overdue. The bills mentioned above could help the State to bring in needed revenues from large mainland housing development firms doing business in Hawaii.

In 1996, I co-wrote and passed legislation in the House Armed Services Committee that created military public-private housing partnerships. I pursued this public-private proposal, and subsequent projects in Hawaii, because I believed it was

the fastest way to improve the quality of life for military families in Hawaii. And, as an additional benefit, these projects have employed local contractors, alleviated the strain on Oahu's rental market, and provided a model for energy efficient communities in Hawaii.

It was 2003 when the military began awarding the contracts for three 50-year public-private housing partnerships on Oahu to include the Navy & Marine Corps, the Army, and the Air Force. I was concerned then, as I am today, that the companies awarded these billion dollar contracts pay their fair share of GET.

These large companies are now a part of Hawaii's economy but not fully required to participate in it. While their subcontractors are paying GET on every penny of work they perform, the general contractor does not. Essentially, the 4.6% GET exemption gives these companies an advantage over large - and small - Hawaii firms competing for business in the region. When Hawaii contractors bid on a project in the Pacific, the military housing companies can underbid them by the 4.6% they are making on these multi-billion dollar projects.

If you look over the H-1 viaduct as you drive from Honolulu to the airport, you will see the absolutely fantastic communities that these public-private housing partnerships have created for military families. I am here today to say that our Hawaii families deserve the same high quality, energy efficient, safe neighborhoods that our military now enjoys. To see that vision into reality, there must be a level playing field for all and a contribution from all who benefit in our community to give back to it.

I understand there is ongoing consideration to remove the general excise tax exemption for nonprofits—organizations that help hold the fabric of our local community together. If we are going to talk about scaling back tax exemptions, the GET exemption mentioned in these bills should be at the top of the list if we are to align our priorities with our values.

Mahalo for your time and consideration of my views.